

OIL AND GAS LEASE SALE APPROVAL

The Department of Natural Resources and Conservation held an oil and gas lease sale on December 6, 2006, in the Auditorium at the Department of Transportation building. A total of 81 tracts were offered for lease. Eighty one tracts were leased for a total of \$273,624.35. The 81 tracts that were sold covered a total of 32,131.46 acres. The average bid per acre was \$8.52.

The high competitive bid for the December 6th lease sale was \$66.00 per acre for Tract 70 in Roosevelt County.

The Director requests Land Board approval to issue the leases from the December 6, 2006 sale.

The following described lands were offered for oil and gas leasing through oral competitive bidding in the Department of Transportation auditorium, 2701 Prospect Avenue, Helena, Montana, 9:00 am, December 6, 2006

Tract	Stip	Twp	Rge	Sec	Description	Acres	Bid \$/Acr	Total Price	Lessee
Chouteau									
1	1, 2, 3, 4, 5, 6	24.N	3.E	16	All	640.00	\$1.75	\$1,120.00	MAB RESOURCES LLC
2	1, 2, 3, 4, 5, 6	24.N	3.E	19	SE4NE4, NE4SE4	80.00	\$1.75	\$140.00	MAB RESOURCES LLC
3	1, 2, 3, 4, 5, 6	24.N	3.E	30	Lot 4, NW4SE4, E2SW4	142.51	\$2.75	\$391.90	MAB RESOURCES LLC
4	1, 2, 3, 4, 5, 6	24.N	3.E	31	SE4NE4	40.00	\$5.50	\$220.00	MAB RESOURCES LLC
5	1, 2, 3, 4, 5, 6	24.N	3.E	32	NW4NW4, S2NW4, NE4SE4, S2SE4	240.00	\$6.00	\$1,440.00	MAB RESOURCES LLC
6	1, 2, 3, 4, 5, 6	24.N	3.E	33	NW4SW4	40.00	\$8.00	\$320.00	MAB RESOURCES LLC
7	1, 2, 3, 4, 5, 6	24.N	3.E	36	All	640.00	\$6.00	\$3,840.00	MAB RESOURCES LLC
8	1, 2, 3, 4, 5, 6	24.N	4.E	16	All	640.00	\$6.25	\$4,000.00	MAB RESOURCES LLC
Daniels									
9	1, 2, 3, 4, 5, 6	34.N	47.E	11	NW4, SE4, N2SW4	400.00	\$1.50	\$600.00	PRIMARY PETROLEUM COMPANY LLC
10	1, 2, 3, 4, 5, 6	34.N	47.E	13	N2NW4, SW4NW4, E2	440.00	\$1.50	\$660.00	PRIMARY PETROLEUM COMPANY LLC
11	1, 2, 3, 4, 5, 6	34.N	47.E	14	S2NW4, SW4NE4, NW4SE4, N2SW4	240.00	\$6.00	\$1,440.00	PRIMARY PETROLEUM COMPANY LLC
12	1, 2, 3, 4, 5, 6	34.N	47.E	36	All	640.00	\$6.25	\$4,000.00	PRIMARY PETROLEUM COMPANY LLC
Gallatin									
13	2, 3, 4, 5, 6, 14	5.N	5.E	36	All	640.00	\$5.25	\$3,360.00	ENERGY CONSULTANTS LLC
Garfield									
14	1, 2, 3, 4, 5, 6, 7	20.N	39.E	16	All	640.00	\$17.00	\$10,880.00	FRONTIER ENERGY CORP
Glacier									
15	1, 2, 3, 4, 5, 6	32.N	5.W	12	SW4	160.00	\$35.00	\$5,600.00	TOMMY C CRAIGHEAD
Golden Valley									
16	1, 2, 3, 4, 5, 6, 7	5.N	23.E	14	All	640.00	\$2.25	\$1,440.00	BECKY K RYE
17	1, 2, 3, 4, 5, 6	5.N	23.E	16	All	640.00	\$3.00	\$1,920.00	TOMMY C CRAIGHEAD
18	1, 2, 3, 4, 5, 6, 7	5.N	23.E	22	All	640.00	\$2.75	\$1,760.00	BECKY K RYE
19	1, 2, 3, 4, 5, 6	5.N	23.E	24	W2, N2NE4, SW4NE4, NW4SE4	480.00	\$2.75	\$1,320.00	BECKY K RYE
20	1, 2, 3, 4, 5, 6, 8	5.N	23.E	26	All	640.00	\$2.75	\$1,760.00	BECKY K RYE
21	2, 3, 4, 5, 6, 14	5.N	23.E	28	S2	320.00	\$3.25	\$1,040.00	BECKY K RYE
22	2, 3, 4, 5, 6, 8, 14	5.N	23.E	32	All	640.00	\$3.25	\$2,080.00	BECKY K RYE
23	2, 3, 4, 5, 6, 14	5.N	23.E	34	All	640.00	\$3.25	\$2,080.00	BECKY K RYE
24	1, 2, 3, 4, 5, 6, 8	5.N	23.E	36	All	640.00	\$3.75	\$2,400.00	GILBERT G DALLAS
Liberty									
25	1, 2, 3, 4, 5, 6, 11	35.N	4.E	12	W2	320.00	\$57.00	\$18,240.00	LYON OIL

Tract	Stip	Twp	Rge	Sec	Description	Acres	Bid \$/Acr	Total Price	Lessee
26	1, 2, 3, 4, 5, 6	36.N	6.E	34	N2SE4, SW4	240.00	\$30.00	\$7,200.00	DART OIL & GAS CORPORATION
McCone									
27	1, 2, 3, 4, 5, 6	20.N	44.E	6	Lots 1 thru 7, SE4NW4, S2NE4, SE4, E2SW4	662.90	\$1.50	\$994.35	LONEWOLF ENERGY INC
Phillips									
28	1, 2, 3, 4, 5, 6	23.N	24.E	16	All	640.00	\$1.75	\$1,120.00	BECKY K RYE
29	2, 3, 4, 5, 6, 14	23.N	24.E	36	All	640.00	\$3.75	\$2,400.00	BECKY K RYE
30	1, 2, 3, 4, 5, 6	23.N	25.E	16	All	640.00	\$4.50	\$2,880.00	TYLER OIL COMPANY
31	2, 3, 4, 5, 6, 14	23.N	25.E	36	S2	320.00	\$5.00	\$1,600.00	TOMMY C CRAIGHEAD
32	1, 2, 3, 4, 5, 6	23.N	26.E	16	All	640.00	\$3.75	\$2,400.00	BECKY K RYE
33	2, 3, 4, 5, 6, 14	24.N	23.E	16	All	640.00	\$4.00	\$2,560.00	TYLER OIL COMPANY
34	2, 3, 4, 5, 6, 14	24.N	23.E	36	All	640.00	\$4.25	\$2,720.00	TYLER OIL COMPANY
35	1, 2, 3, 4, 5, 6	24.N	24.E	16	N2, N2SE4, SW4SE4, SW4	600.00	\$4.50	\$2,700.00	TOMMY C CRAIGHEAD
36	1, 2, 3, 4, 5, 6	24.N	24.E	36	All	640.00	\$4.25	\$2,720.00	TYLER OIL COMPANY
37	1, 2, 3, 4, 5, 6	24.N	25.E	16	All	640.00	\$4.00	\$2,560.00	TOMMY C CRAIGHEAD
38	1, 2, 3, 4, 5, 6	24.N	25.E	36	All	640.00	\$3.50	\$2,240.00	TYLER OIL COMPANY
39	1, 2, 3, 4, 5, 6	24.N	26.E	9	NW4NE4, S2N2, W2SW4	280.00	\$3.25	\$910.00	BECKY K RYE
40	1, 2, 3, 4, 5, 6	24.N	26.E	16	All	640.00	\$4.25	\$2,720.00	BECKY K RYE
41	1, 2, 3, 4, 5, 6	24.N	26.E	17	N2, N2SE4, SE4SE4	440.00	\$4.00	\$1,760.00	TOMMY C CRAIGHEAD
42	1, 2, 3, 4, 5, 6	24.N	26.E	18	E2NE4	80.00	\$4.25	\$340.00	BECKY K RYE
43	1, 2, 3, 4, 5, 6	24.N	26.E	20	NE4NE4	40.00	\$4.50	\$180.00	TOMMY C CRAIGHEAD
44	1, 2, 3, 4, 5, 6	24.N	26.E	21	N2NW4, SE4NW4, SW4NE4, N2SE4, SE4SE4	280.00	\$3.75	\$1,050.00	BECKY K RYE
45	1, 2, 3, 4, 5, 6	24.N	26.E	22	SE4	160.00	\$4.50	\$720.00	TOMMY C CRAIGHEAD
46	1, 2, 3, 4, 5, 6	24.N	26.E	23	SW4	160.00	\$3.25	\$520.00	BECKY K RYE
47	1, 2, 3, 4, 5, 6	24.N	26.E	27	NE4NW4	40.00	\$4.00	\$160.00	TOMMY C CRAIGHEAD
48	1, 2, 3, 4, 5, 6	24.N	26.E	36	All	640.00	\$3.25	\$2,080.00	BECKY K RYE
49	1, 2, 3, 4, 5, 6	24.N	29.E	36	All	640.00	\$4.00	\$2,560.00	LONEWOLF ENERGY INC
50	2, 3, 4, 5, 6, 14	25.N	23.E	16	Lots 1, 2, 3, 4, SE4, NE4SW4	284.92	\$5.25	\$1,495.83	TYLER OIL COMPANY
51	1, 2, 3, 4, 5, 6, 7	25.N	23.E	36	All	640.00	\$4.25	\$2,720.00	TYLER OIL COMPANY
52	1, 2, 3, 4, 5, 6, 7	25.N	24.E	36	S2	320.00	\$5.25	\$1,680.00	TYLER OIL COMPANY
Pondera									
53	1, 2, 3, 4, 5, 6	28.N	2.W	12	S2NW4, SW4NE4, NW4SE4, N2SW4	240.00	\$12.25	\$2,940.00	GLENN LAND
Roosevelt									
54	1, 2, 3, 4, 5, 6, 7	28.N	55.E	16	All	640.00	\$1.50	\$960.00	BRIGHAM OIL & GAS LP
55	1, 2, 3, 4, 5, 6, 12	28.N	55.E	21	Highway tract in NE4SE4	4.61	\$21.69	\$100.00	BRIGHAM OIL & GAS LP

Tract	Stip	Twp	Rge	Sec	Description	Acres	Bid \$/Acr	Total Price	Lessee
56	1, 2, 3, 4, 5, 6, 12	28.N	55.E	22	Highway tract in SE4, N2SW4, SE4SW4	24.19	\$4.13	\$100.00	BRIGHAM OIL & GAS LP
57	1, 2, 3, 4, 5, 6, 12	28.N	55.E	25	Highway tract in S2N2, N2SE4	25.41	\$3.94	\$100.00	BRIGHAM OIL & GAS LP
58	1, 2, 3, 4, 5, 6, 12	28.N	55.E	26	Highway tract in NE4	12.89	\$7.76	\$100.00	BRIGHAM OIL & GAS LP
59	1, 2, 3, 4, 5, 6, 7, 9	28.N	55.E	36	NW4, W2NE4, S2	560.00	\$1.50	\$840.00	BRIGHAM OIL & GAS LP
60	1, 2, 3, 4, 5, 6, 12	28.N	56.E	25	Highway tract in NW4SW4	11.91	\$30.00	\$357.30	TOMMY C CRAIGHEAD
61	1, 2, 3, 4, 5, 6, 12	28.N	56.E	26	Highway tract in N2SE4	6.49	\$30.00	\$194.70	TOMMY C CRAIGHEAD
62	1, 2, 3, 4, 5, 6, 8	28.N	56.E	35	All	640.00	\$33.25	\$21,280.00	BRIGHAM OIL & GAS LP
63	1, 2, 3, 4, 5, 6, 8	28.N	56.E	36	All	* 640.00	\$33.50	\$21,440.00	BRIGHAM OIL & GAS LP
64	1, 2, 3, 4, 5, 6, 8	29.N	54.E	16	All	640.00	\$17.25	\$11,040.00	KNAPP OIL CORPORATION
65	1, 2, 3, 4, 5, 6	29.N	55.E	16	N2NW4, SW4NW4, SE4NE4, SE4	320.00	\$10.25	\$3,280.00	BRIGHAM OIL & GAS LP
66	1, 2, 3, 4, 5, 6	29.N	55.E	21	SE4SE4	40.00	\$20.25	\$810.00	BRIGHAM OIL & GAS LP
67	1, 2, 3, 4, 5, 6	29.N	55.E	36	N2NW4	* 80.00	\$20.25	\$1,620.00	BRIGHAM OIL & GAS LP
68	1, 2, 3, 4, 5, 6	29.N	58.E	29	SW4	160.00	\$35.00	\$5,600.00	NANCE PETROLEUM CORPORATION
69	1, 2, 3, 4, 5, 6	29.N	58.E	30	N2SE4	80.00	\$51.00	\$4,080.00	NANCE PETROLEUM CORPORATION
70	1, 2, 3, 4, 5, 6	29.N	58.E	32	N2NW4	80.00	\$66.00	\$5,280.00	NANCE PETROLEUM CORPORATION
71	1, 2, 3, 4, 5, 6, 9	30.N	55.E	16	N2, SE4, N2SW4, SE4SW4	600.00	\$16.00	\$9,600.00	BRIGHAM OIL & GAS LP
Sheridan									
72	1, 2, 3, 4, 5, 6, 10, 13	31.N	56.E	5	Lots 1, 2, part of Medicine Lakebed	* 255.94	\$1.75	\$447.90	TOMMY C CRAIGHEAD
73	1, 2, 3, 4, 5, 6, 10, 13	32.N	56.E	32	Lots 5, 6, part of Medicine Lakebed	* 91.30	\$2.00	\$182.60	TOMMY C CRAIGHEAD
74	1, 2, 3, 4, 5, 6, 13	32.N	56.E	36	Lots 1, 2	* 56.44	\$2.00	\$112.88	TOMMY C CRAIGHEAD
Teton									
75	2, 3, 4, 5, 6, 15	23.N	8.W	16	All	640.00	\$17.50	\$11,200.00	DEEP CREEK RANCH & MANAGEMENT COMPANY LLC
76	2, 3, 4, 5, 6, 15	23.N	8.W	17	N2NE4, SE4NE4	120.00	\$18.00	\$2,160.00	DEEP CREEK RANCH & MANAGEMENT COMPANY LLC
Toole									
77	1, 2, 3, 4, 5, 6	34.N	2.E	36	All	640.00	\$55.00	\$35,200.00	ROBINSON OIL COMPANY LLC
78	1, 2, 3, 4, 5, 6	34.N	3.W	16	All, less patented RR R/W, below the base of the Rierdon formation	626.23	\$5.00	\$3,131.15	TOMMY C CRAIGHEAD
Yellowstone									
79	2, 3, 4, 5, 6, 8, 14	4.N	23.E	2	SE4	160.00	\$4.00	\$640.00	MAB RESOURCES LLC
80	2, 3, 4, 5, 6, 8, 14	4.N	23.E	4	Lots 1, 2, 3, 4, S2N2, S2	* 645.72	\$4.50	\$2,905.74	MAB RESOURCES LLC
81	1, 2, 3, 4, 5, 6, 9	4.N	23.E	36	All	640.00	\$4.50	\$2,880.00	GILBERT G DALLAS

Tract	Stip	Twp	Rge	Sec	Description	Acres	Bid \$/Acr	Total Price	Lessee
<i>Summary by Lessor</i>									
<i>Dept of Natural Resources & Conservation</i>						32045.96		75	
<i>Dept of Transportation</i>						85.5		6	

* Part of all of tract is not state-owned surface

Oil and Gas Lease Sale Summary

Lease Sale Totals	Tracts	81
	Acres	32,131.46
	Total Bid Revenue	\$273,624.35
	Avg Bid Per Acre	\$8.52

Stipulations

- 1 Lessee shall notify and obtain approval from the Department's Trust Land Management Division (TLMD) prior to constructing well pads, roads, power lines, and related facilities that may require surface disturbance on the tract. Lessee shall comply with any mitigation measures stipulated in TLMD's approval.
- 2 Prior to the drilling of any well, lessee shall send one copy of the well prognosis, including Form 22 "Application for Permit" to the Department's Trust Land Management Division (TLMD). After a well is drilled and completed, lessee shall send one copy of all logs run, Form 4A "Completion Report", and geologic report to TLMD. A copy of Form 2 "Sundry Notice and Report of Wells" or other appropriate Board of Oil and Gas Conservation form shall be sent to TLMD whenever any subsequent change in well status or operator is intended or has occurred. Lessee shall also notify and obtain approval from the TLMD prior to plugging a well on the lease premises.

Issuance of this lease in no way commits the Land Board to approval of coal bed methane production on this lease. Any coal bed methane extraction wells would require subsequent review and approval by the board.
- 3 The TLMD will complete an initial review for cultural resources and, where applicable, paleontological resources of the area intended for disturbance and may require a resources inventory. Based on the results of the inventory, the TLMD may restrict surface activity for the purpose of protecting significant resources located on the lease premises.
- 4 The lessee shall be responsible for controlling any noxious weeds introduced by lessee's activity on State-owned land and shall prevent or eradicate the spread of those noxious weeds onto land adjoining the lease premises.
- 5 The definitions of "oil" and "gas" provided in 82-1-111, MCA, do not apply to this lease for royalty calculation purposes.
- 6 If the State does not own the surface, the lessee must contact the owner of the surface in writing at least 30 days prior to any surface activity. A copy of the correspondence shall be sent to TLMD.
- 7 Due to unstable soil conditions on this tract and/or topography that is rough and/or steep, surface use may be restricted or denied. Seismic activity may be restricted to poltershots.
- 8 The lessee is responsible to pay for all damages, including penalties and charges assessed by the USDA-CFSA on CRP lands, as a result of drilling and production on the tract.
- 9 Due to the floodplain/wetlands area(s), surface use may be restricted or denied.
- 10 This tract contains non-navigable river/lake bed(s). The State, as a riparian owner, may have an ownership claim to adjacent river/lake bed(s) and related acreage in this tract. Upon completion of a successful well, where river or lake title or adjoining land title is disputed, the lessee will file an interpleader action under Rule 22, M.R.Civ.P. in the Montana District Court, or other court having jurisdiction, in which the leased lands are located for all acreage within the lease in which the title is disputed. The lessee shall name all potential royalty claimants as defendants.
- 11 This tract has (an) existing well(s) and related facilities. The lessee has 45 days from the effective date of this lease to determine whether or not to assume responsibility from the former lessee for the well(s) and any existing facilities. The lessee may not enter the well(s) until a change of operator has been filed with, and approved by, the Board of Oil and Gas Conservation. The(se) well(s) must be returned to commercial production or plugged and the well site(s) reclaimed within 6 months from the effective date of this lease.
- 12 No surface occupancy shall be allowed on any portion of this tract, which is indicated as right-of-way on the official highway plans on file at the Department of Transportation in Helena, Montana, without prior written approval from TLMD.

Stipulations

- 13 No surface occupancy shall be allowed on this tract unless otherwise approved in writing by the Director of DNRC.
- 14 This lease includes areas that may be environmentally sensitive. Therefore, if the lessee intends to conduct any activities on the lease premises, the lessee shall submit to TLMD one copy of an Operating Plan or Amendment to an existing Operating Plan, describing in detail the proposed activities. No activities shall occur on the tract until the Operating Plan or Amendments have been approved in writing by the Director of the Department. TLMD shall review the Operating Plan or Amendment and notify the lessee if the Plan or Amendment is approved or disapproved.

After an opportunity for an informal hearing with the lessee, surface activity may be denied or restricted on all or portions of any tract if the Director determines in writing that the proposed surface activity will be detrimental to trust resources and therefore not in the best interests of the trust.

- 15 This lease is located near the Rocky Mountain Front and includes areas that are environmentally sensitive. Therefore, except as otherwise provided below, the lessee shall not conduct any surface operations on the lease premises. If the lessee determines that surface operation on the lease premises may be required, the lessee shall submit a proposed Operating Plan or Amendment to an existing Operating Plan to the State Board of Land Commissioners describing in detail the proposed operations. No surface activities shall occur on the lease premises unless and until the Operating Plan or Amendment is approved by the Board. In determining whether to approve the proposed Operating Plan or Amendment, the following provisions shall apply:

- 1) If the lessee proposes an activity that does not entail any significant surface disturbance, the Board may approve the same after completion of the appropriate environmental review in accordance with the Montana Environmental Policy Act (MEPA) and an opportunity for public comment on the proposed activity has been provided.

- 2) Before the Board approves any proposed activity on the lease premises that entails a significant surface disturbance, an environmental impact statement (EIS) shall be completed in accordance with MEPA. The EIS shall analyze the potential impacts of alternative and future potential levels of oil and gas development and extraction on an ecosystem scale as the ecosystem is defined by the "Limits of Acceptable Change - Bob Marshall Wilderness Complex" adopted by the Montana Department of Fish, Wildlife and Parks in December 1991. The analysis shall consider all relevant information, which may include, but is not limited to, existing environmental reviews and management plans. Public involvement in the environmental review process shall be actively solicited by the preparer of the environmental review document and shall include, at minimum, adequately noticed public meetings in at least three communities including Great Falls and Helena.

- 3) The proposed surface activity shall adhere to the "Interagency Rocky Mountain Front, Wildlife Monitoring/Evaluation Program, Management Guidelines for Selected Species" adopted by the Montana Department of Fish, Wildlife and Parks in September 1987, or any successor guidelines thereto.

- 4) The Board may refuse to approve any proposed surface operations if it determines that they do not constitute the best use of trust resources or are not in the best interest of the State of Montana.
